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Conclusions

Viet Cong use of Cambodia as a logistics base has increased significantly in recent months, and the volume of non-military supplies from this source may exceed the volume of largely military supplies being infiltrated from North Vietnam. These supplies are commercially procured in Cambodia, and regular financing through Hong Kong is probably required for the current large volume of transactions. The existence of Cambodia as a source of supply appears to have permitted the deployment of VC/NVA forces in the central highlands along the Cambodia-Vietnam border and to have reduced the requirement for supplies to be extracted from the South Vietnamese population. The movement of supplies from Cambodia has also apparently facilitated personnel infiltration through Cambodia and bivouac and training in or near Cambodia.

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25X1 [REDACTED] In general, VC procurement of imported and indigenous commodities in Cambodia represents only a small portion of supplies available in Cambodia, [REDACTED]

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The possibilities for economic warfare directed against Cambodia itself arise principally from the vulnerability of the Cambodian economy to pressure on Mekong shipping. Complete closure of the Mekong or additional regulatory checks that significantly reduced Mekong shipping would severely impair the operation of the Cambodian economy. This impairment would be caused largely by the reduction of Cambodian imports of petroleum and the resulting decline in commerce and industry. In addition, the U.S. could place restrictions on U.S. trade with Cambodia and possibly some limitations on the operations of Cambodia's petroleum suppliers (Esso, Shell, and Caltex). Such measures as import and export controls would temporarily inconvenience Cambodia but would have little effect on the Cambodian economy. U.S. economic warfare against Cambodia would not directly affect VC procurement, and whether it would bring a curtailment of the flow of supplies to the Viet Cong would depend on Cambodia's assessment of political and military as well as economic factors.

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**I. VC Use of Cambodia as a Logistic Base**

Viet Cong use of Cambodia as a logistic base, has increased significantly during recent months. At the very least, it would appear that during 1966 the Viet Cong are acquiring 5,000 to 10,000 tons of rice in Cambodia, and a frequently reported figure of 20,000 metric tons appears to be possible. In addition, recent reporting, including captured documents, indicates that the VC are acquiring in Cambodia substantial quantities of cloth, pharmaceuticals, salt, fish and fish sauce, gasoline, communications equipment, explosives, surgical supplies, and office supplies. The type of supplies procured by the VC in Cambodia continue to consist of those that can be procured commercially; the flow of substantial military equipment cannot be verified.

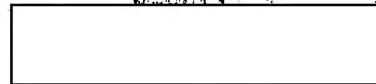
Most of the non-food procurement in Cambodia appears to be designed to meet specific VC/NVA supply requirements in South Vietnam and apparently to service the entire border area. Food supplies, however, appear to flow largely into the Laotian pan-handle and the central highlands of South Vietnam. If the VC are acquiring as much as 20,000 metric tons of rice in Cambodia, they can from this source meet their annual food supply requirement for approximately 80,000 main force personnel. From the current disposition of VC/NVA forces in the central highlands (and possibly those in northern III Corps)

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there is strong evidence that Cambodian supplies are meeting the bulk of VC requirements for food in these areas.

In contrast, the recent seven-month dry season use of the Laotian infiltration route appears to have resulted in shipments from North Vietnam into Laos of about 18,000 tons of supplies, mainly military goods. A significant portion of these supplies are used in Laos, and a very rough estimate indicates that less than 10,000 tons appears to have been available for use in South Vietnam. Although the military goods coming from North Vietnam and the non-military goods available from Cambodia are not directly comparable, it appears that the volume of supplies coming from Cambodia probably exceeds that arriving from North Vietnam.

By using the traditional smuggling apparatus in the Mekong delta, the VC have apparently been able to acquire essential supplies from Cambodia. These supplies include pharmaceuticals, communications equipment, surgical supplies, office supplies, and explosives. These non-bulk items, available commercially in Cambodia, are easily smuggled, but are small in terms of volume. In terms of total VC supply requirements for these items, however, it appears that supplies from Cambodia are at least a sizeable percentage for the main force units situated in border areas.

Bulk supplies from Cambodia consist primarily of food items and are destined for southern Laos, the central highlands of South Vietnam, and the rice-deficit areas of northern CIII Corps. Although a small

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volume of other goods, such as cloth, pharmaceuticals, gasoline, salt, and fish sauce, also are delivered to these areas, the principal bulk commodity is rice, delivered by river and road transport. This trade, designed to move bulk commodities procured in Phnom Penh and destined for the Viet Cong, differs substantially from the movement of goods in the Mekong delta.

## II. The Vulnerabilities of VC Logistics Operations in Cambodia

In general, supplies acquired by the VC in Cambodia represent only a small portion of Cambodia's available supplies of imported and indigenous goods. Cambodia produced in 1964/65 about 1.6 million metric tons of rice of which approximately 600,000 tons were exported in 1965. Although exports in 1966 are expected to be down substantially, possibly as low as 300,000 tons, because of a smaller crop, VC acquisition apparently will amount to less than 10 percent of the Cambodian surplus. For most other items supplied by Cambodia, it is extremely difficult to estimate the proportion of VC procurement to total Cambodian supplies. The percentage, however, is believed to be extremely small. For example total Cambodian imports of pharmaceuticals amounted to \$5.6 million in 1964 and reports of shipments to the Viet Cong have usually not exceeded \$2,000.

With the exception of the bulk shipments of rice, the VC logistics operations appear to be conducted on an ad hoc basis, through existing firms or front businesses. Given the nature of these operations, it

would be impossible to affect the operation of these firms without severe repercussions throughout the Cambodian economy. For example, preclusive buying of pharmaceuticals or cloth would, even if possible, have a severe impact on the Cambodian economy with only a marginal effect on VC procurement. Preclusive buying would be especially difficult for a wide range of commodities that Cambodia imports from Communist China and the Soviet Bloc. It might be possible to affect selected Cambodian imports from pro-Western or neutral countries, such as jute sacks for rice from Pakistan and India, but information available at present is insufficient to evaluate the effectiveness of such actions.

### III. Vulnerabilities of the Cambodian Economy

The principal weakness of the largely self-sufficient Cambodian economy to U.S./Vietnamese economic pressure is its dependence on Mekong River shipping for import of petroleum products and the export of rice and rubber. The port of Phnom Penh serviced exclusively by the Mekong, handled 23,000 tons of imports per month in 1965, of which approximately 16,000 tons were petroleum products. The port of Sihanoukville on the Gulf of Siam, handled about 22,000 tons of imports per month in 1965; it handled about 2,000 tons of petroleum products, largely lubricants, during 1965. Nearly all of Cambodia's storage capacity for petroleum (about 25,000 tons) is at Phnom Penh. Cambodian electricity supply, especially Phnom Penh's, is almost totally dependent on petroleum. Transhipment of petroleum through Sihanoukville

would be hampered by the lack of handling facilities, storage capacity, and transport facilities between Sihanoukville and Phnom Penh.

Closure of the Mekong would also place a substantial strain on Cambodia's exports. During 1965, Phnom Penh handled approximately 40 percent of Cambodia's total export volume with Sihanoukville handling the remainder. Exports of rice and rubber through Phnom Penh in 1965 totalled about 300,000 metric tons, and the handling of these commodities through Sihanoukville would be extremely difficult.

Losses of export income, as well as losses to government revenue (which is heavily dependent on import duties) would severely aggravate an economic decline that Cambodia has experienced since her renunciation of US assistance in 1963 and which is expected to be more severe during 1966 because of smaller rice exports.

With only about one month's supply of petroleum supplies available in storage, the bulk of all public and private transport, the generation of electric power, and the operation of industry would be almost immediately and seriously affected by a complete closure of the Mekong. This impact would primarily affect the urban areas, and the majority of the rural population would be least affected. Over time, Cambodia would probably be able to shift its trade facilities to Sihanoukville, but the economy would be operating at a substantially reduced level for at least a year.

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